

DIRECTORS

PIERRE CÔTÉ
President – Laiterie Laval Ltée

FRANK COWAN
President – Frank Cowan Company Limited

BRUNO DESJARDINS
Partner – Simard & Desjardins

DANIEL O’C. DOHENY, Q.C.
Partner – Doheny, Day, Mackenzie, Grivakes, Gervais & LeMoyne

J. H. KENNEDY
Vice-President & General Manager – Frank Cowan Company Limited

R. B. LAWSON, Q.C.
Partner – Bassel, Sullivan, Holland & Lawson

J. R. McLAUGHLIN
Director – Frank Cowan Company Limited

W. J. MILHAUSEN,
Partner – Marani, Rounthwaite and Dick

G. W. MILLAR
President – Beclawat (Canada) Limited

G. A. SAVAGE

OFFICERS

GEORGE A. SAVAGE.....President & Chief Executive Officer

FRANK COWAN.....Vice-President

BRUNO DESJARDINS.....Vice-President

DAPHNE L. CATLIFF.....Secretary

DOUGLAS M. CHADWICK.....Treasurer

DEPARTMENT HEADS

MILDRED L. JONES.....Guarantee – Fidelity

J. ANDRÉ LAPIERRE.....Claims

ARAM SEMERJIAN.....Property

BERNARD SOUCHEREAU,.....Automobile

SERVICE OFFICES

QUEBEC – Quebec • Sherbrooke • Trois-Rivières

ONTARIO – Toronto • Woodstock

CANADIAN COMPANY SERVING CANADIANS



1971
ANNUAL REPORT

THE GUARANTEE COMPANY
of NORTH AMERICA
PLACE DU CANADA, SUITE 1560, MONTREAL 101, QUEBEC

FIDELITY AND SURETY BONDS
PROPERTY AND AUTOMOBILE INSURANCE

THE COMPANY THAT INTRODUCED FIDELITY INSURANCE TO NORTH AMERICA
INCORPORATED STATUTES OF CANADA 1851 • FEDERALLY LICENSED 1872

TO THE SHAREHOLDERS:

Two important happenings of the Company are drawn to your attention. Tuesday, April 9, 1872 marked its organizational meeting, hence 100 years of business have been completed. Secondly, 1971 has been most encouraging, showing the highest profits ever.

Your Company was established to provide insurance for the people of North America, and for 100 years has been a "Canadian Company Serving Canadians." It is now Canada's oldest continuing joint stock insurance company. Many noteworthy events have occurred within the Company during the last century, and a short history has been compiled for your perusal.

This year a record premium income, improved underwriting experience and reduced expenses achieved a peak in our underwriting profit. As was anticipated in the report of last year, the change in the investment portfolio provided a higher yield. The underwriting profit and investment income, together with the advance in the investment market throughout the year, have resulted in an addition to earned surplus of \$1,560,618.

Apart from the gratifying financial outcome, your Company has improved in other areas. A paramount need is to expedite a competent and equitable service to both insured and agents. Our efforts to attain this have been intensified, necessitating the institution of many internal changes.

During the year Mr. H. Cameron Hawken, because of the pressure of other commitments, retired from the Board. His contributions have been of much benefit. In June the Company lost, by death, a faithful and widely esteemed employee, Mr. Gray Doble.

The ever-increasing arrogation by governments of the insurance industry develops an unsettling atmosphere among the many thousands of persons striving to provide the insured public with the best services at the lowest cost. No amount of interference will reduce either the frequency or dollar amount of claims. The denying to the public of a market for free choice of insurance will not improve the service or reduce costs. While the future cannot be anticipated, we meet it confidently, dedicated to the provision of optimum service to Canadians.

It is heartening to have the loyal support of agents and to know that our department heads are exceptionally competent and all of our employees are enthusiastic and anxious to expand and develop our operations. Your Company can only progress with such devotion and loyalty.

G.A. Savage

President

BALANCE SHEET AS AT DECEMBER 31st

	1971	1970 (restated)
ASSETS		
Cash	\$ 111,324	\$ 115,695
Marketable securities at cost	11,221,432	10,259,462
Mortgage loans on real estate	145,340	250,819
Interest and dividends due or accrued	163,526	150,643
Investment in property at cost	47,300	70,000
Agents' balances written on or after October 1st	1,497,915	1,213,109
Due from re-insurers	117,802	206,616
Other receivables and prepaid expenses	534,208	225,924
Trust funds for claims of re-insurers	393,453	255,232
Furniture and equipment less depreciation	51,284	46,305
	<u>\$14,283,584</u>	<u>\$12,793,805</u>
LIABILITIES		
Bank indebtedness	—	327,000
Claims in course of settlement	4,092,103	3,757,529
Unearned premiums	4,349,027	4,010,854
Guarantee bond special provision	369,370	299,285
Re-insurers' deposits held	393,453	255,232
Other liabilities and accrued charges	393,360	379,023
Investment reserve for market value	653,468	1,287,000
Pension reserve for employees retired prior to Company plan	28,233	33,930
	<u>10,279,014</u>	<u>10,349,853</u>
SHAREHOLDERS' EQUITY		
Capital stock: authorized 200,000 shares at \$5; issued 133,720	668,600	668,600
Earned Surplus	3,335,970	1,775,352
	<u>4,004,570</u>	<u>2,443,952</u>
	<u>\$14,283,584</u>	<u>\$12,793,805</u>
BY ORDER OF THE BOARD		
Director <i>[Signature]</i>		
Director <i>[Signature]</i>		

AUDITORS' REPORT

To The Shareholders of
The Guarantee Company of North America

We have examined the balance sheet of The Guarantee Company of North America as at December 31, 1971 and the statement of income and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada as explained in Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

February 25, 1972

RIDDELL, STEAD & CO.
Chartered Accountants

STATEMENT OF INCOME AND SURPLUS

	For the Year	
	1971	1970 (restated)
Gross premiums written	\$ 9,229,670	\$ 8,212,343
Net premiums written	<u>8,170,818</u>	<u>7,455,000</u>
NET premiums earned	7,832,645	6,934,860
Claims and adjusting costs	<u>4,532,746</u>	<u>4,742,297</u>
GROSS UNDERWRITING PROFIT	<u>3,299,899</u>	<u>2,192,563</u>
Expenses:		
Premium taxes and licenses	214,224	184,022
Other expenses	2,770,650	2,894,712
Depreciation on equipment	<u>12,821</u>	<u>11,576</u>
	<u>2,997,695</u>	<u>3,090,310</u>
UNDERWRITING PROFIT (LOSS)	302,204	(897,747)
Investment income — net	742,906	566,084
Profit (Loss) on investments sold	(27,139)	77,927
Increase in special guarantee bond reserve	(70,085)	(86,119)
Decrease in over-90-day agents' accounts	<u>9,200</u>	<u>2,760</u>
NET PROFIT (LOSS)	957,086	(337,095)
EARNED SURPLUS January 1st	1,775,352	2,191,563
Change in reserve for market value of investments	633,532	(39,000)
Provision for pending litigation	(30,000)	—
Dividends	—	(40,116)
EARNED SURPLUS December 31st	<u>\$ 3,335,970</u>	<u>\$ 1,775,352</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1971

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the basis of following the principal requirements of the Department of Insurance of Canada for reporting in annual statements filed with them. These requirements differ in some respects to generally accepted accounting principles followed by other types of business enterprises. The principal differences include:

- (a) Over-90-day agents' balances are fully provided for even though ultimately, they may be collectible;
- (b) Investment reserve for market value is adjusted annually to reflect the change in market values of securities held at the end of the year and is credited or charged to earned surplus;
- (c) The income tax charge against operations is determined using the taxes payable method.

The 1970 financial statements have been restated to conform with the presentation of the current year. As a result of these changes, the net loss for the year 1970, previously reported as \$340,642, is restated as \$337, 095, and earned surplus, previously reported as at December 31, 1970 as \$1,810,805, is restated as \$1,775,352. No material change in accounting principles were involved.

2. INCOME TAXES

The accumulated amount of deferred income taxes resulting from the claiming for tax purposes of provisions for unearned premiums in excess of amounts recorded in the accounts is approximately \$544,000.

Losses available to offset taxable income to 1975 aggregate approximately \$586,000.